

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

**CLERK'S OFFICE**

**NOTICE OF FILING AND HEARING AND PREFILE TESTIMONY DEADLINES**

**DOCKET NO. 2017-370-E**

**JOINT APPLICATION AND PETITION OF SOUTH CAROLINA ELECTRIC & GAS COMPANY AND DOMINION ENERGY, INC., FOR REVIEW AND APPROVAL OF A PROPOSED BUSINESS COMBINATION BETWEEN SCANA CORPORATION AND DOMINION ENERGY, INC., AS MAY BE REQUIRED, AND FOR A PRUDENCY DETERMINATION REGARDING THE ABANDONMENT OF THE V.C. SUMMER UNITS 2 & 3 PROJECT AND ASSOCIATED CUSTOMER BENEFITS AND COST RECOVERY PLANS**

On January 12, 2018, South Carolina Electric & Gas Company ("SCE&G" or the "Company") and Dominion Energy, Inc. ("Dominion Energy") (together, the "Petitioners" or the "Parties") filed a Joint Application and Petition ("Joint Petition") with the Public Service Commission of South Carolina (the "Commission"), pursuant to S.C. Code Ann. §§ 58-27-1300, 58-27-870(F), 58-33-270(E) and 58-33-280(K) (2015), seeking approval of a proposed transaction whereby SCE&G's parent, SCANA Corporation ("SCANA"), will become a wholly-owned subsidiary of Dominion Energy (the "Merger"). The Parties further request through this Joint Petition Commission approval of a customer benefit plan and a cost recovery plan for new nuclear development costs associated with the V.C. Summer Units 2 & 3 Project (the "NND Project" and Customer Benefits Plan") to accompany the Merger.

As detailed further in the Joint Petition, the Petitioners submit that the proposed business combination, and the multi-billion dollar investment by Dominion Energy in SCE&G and in South Carolina, will provide significant short- and long-term benefits for SCE&G's customers, employees and shareholders (many of whom are employees, retirees or other South Carolina citizens). It will ensure that SCE&G's 717,000 electric customers and 362,000 natural gas customers are served by a strong, financially viable utility with an unclouded future. SCE&G would remain headquartered in Cayce, South Carolina.

Dominion Energy is a well-financed utility headquartered in Richmond, Virginia. Dominion Energy serves over 6 million customers in regulated and retail markets with operations in 18 states. It is well respected for operational excellence and support to the communities it serves.

Under the Customer Benefits Plan presented in the Joint Petition:

- SCE&G electric customers will receive \$1.3 billion in an immediate, one-time rate credit in the form a cash payments after Merger closing. An average residential electric customer could receive a check for approximately \$1,000. This is believed to be the largest refund every proposed by a utility.
- SCE&G customers would receive an immediate reduction in their bills of approximately 5% on a customer class basis, including refunds of previously collected amounts (3.5%) and a tax savings rider (initially 1.5%). Dominion Energy

will fund a \$575 million pool which is anticipated to allow the 3.5% refund credit to remain in place for approximately eight years. Nuclear project costs would be separated from other utility costs in rates and collected through a separate cost recovery rider. The tax savings rider would remain in place indefinitely and would reflect a higher rate if tax saving were higher.

- Upon Merger closing, SCE&G will write off \$1.7 billion in construction costs and other assets to ensure that they will never be collected from customers.
- The Merger will allow SCE&G to shorten the recovery period for the remaining nuclear costs from 50 to 20 years.
- SCE&G will provide customers with 540 MW of combined cycle gas generation to replace approximately 45% of the anticipated nuclear capacity. SCE&G will write off the \$180 million purchase price.
- If the Merger closes, then SCE&G will freeze base electric rates (other than the adjustments described above ) until January 1, 2021

These benefits are dependent on the closing of the Merger and the adoption of the Customer Benefits Plan contained in the Joint Petition.

Under the Customer Benefits Plan, the Parties request that the Commission enter an order:

- Recognizing that the NND Project costs remaining after write downs (approximately \$3.3 billion) are recoverable in rates:
- Establishing amortization and capital costs associated with recovery:
- Ruling that that the decision to abandon the NND Project was reasonable and prudent; and
- Ruling that the decision to sell SCANA's rights in the settlement of claims against Toshiba Corporation to Citibank N.A for \$1.2 billion was reasonable to reduce collection risks and accelerate the collection of the proceeds.

The request also seeks accounting directives and rate provision to implement this proposal and establish the amount of investment to be recovered.

The Parties seek approval of Customer Benefits Plan under the provisions of S.C. Code Ann. § 58-27-870(F), which allows the Commission to approve a rate schedule filed by a utility setting forth a decrease in rates without consideration of the overall rate structure, and under S.C. Code Ann. § 58-33-280(K), which authorizes recovery of the capital costs of projects approved under the terms of the Base Load Review Act ("BLRA") after a project is abandoned so long as the abandonment decision is prudent.

Under the Customer Benefits Plan to apply if the Merger closes, all NND Project costs that have not been reviewed and approved for inclusion in rates in previous revised rated orders will be written off (approximately \$1.2 billion). Accordingly, the nuclear construction costs recoverable under the Customer Benefits Plan have all been approved for inclusion in rates in final and unappealable revised rates orders previously issued by the Commission under S.C. Code Ann. § 58-33-280. The Joint Petition states that those orders are not subject to being reopened or being relitigated.

The Joint Petition also contains two alternative requests which SCE&G will pursue independently as disfavored alternatives if the Merger does not close or if the Commission does not approve the Merger or the Customer Benefits Plan. Under the first alternative request, SCE&G asks that the Commission adopt a rate plan that can be funded by SCE&G and SCANA alone, but as a matter of financial necessity cannot provide customers with all the benefits made possible by the combination with Dominion Energy. This stand-alone plan does not provide any payments to customers (\$1.3 billion), any rate moratorium or any fund to reduce customer bills by providing rate refunds (\$575 million). It involves total write offs of investment of only \$810 million compared to \$1.7 billion. It requires NND Project costs to be recovered from customers over 50 years. It does, however, include a 3.5% rate reduction and purchase of 540 MW of gas generation at no cost to customers.

As a second alternative, if the Merger does not close or if the Commission does not approve the Merger or the Customer Benefits Plan, and if the Commission does not approve the first alternative, SCE&G will seek the recovery of all costs and investments associated with the NND Project allowable by law but without any mitigation provisions, with minimal write downs, and without seeking any present rate increase. This second disfavored alternative would not include any bill credits, rate moratorium, fund to mitigate future rate increases, write downs of project capital, or rate reductions.

Both alternative plans contain requests for prudence determinations and accounting directives to implement their terms and are based on the same statutory authority as the cost recovery plan supported by the combination with Dominion Energy.

SCE&G believes that the alternative plans are disfavored and economically inferior for customers (though nonetheless lawful, fair and reasonable) compared to the plan supported by the combination with Dominion Energy. SCE&G supports the alternative plans only in the event of disapproval of the Merger.

Customer bills will not increase in this proceeding under any proposal.

A copy of the Petitioner's Joint Petition can be found on the Commission's website at [www.psc.sc.gov](http://www.psc.sc.gov) under Docket No. 2017A70-E. Additionally, a copy of the Joint Petition is available from the office of South Carolina Electric & Gas Company at 220 Operation Way, Mail Code C222, Cayce, South Carolina 29033.

**PLEASE TAKE NOTICE** that a hearing, pursuant to 10 S.C. Code Ann. Regs. 103-817 and S.C. Code Ann. §58-33-270 on the above matter has been scheduled to begin on **Tuesday, April 17, 2018, at 10:30 a.m., and continuing to April 18th and April 19th, and further continued after these dates, if necessary**, before the Commission in the Commission's Hearing Room at 101 Executive Center Drive, Saluda Building, Columbia, South Carolina 29210 for the purpose of receiving testimony and evidence from all interested parties.

Any person who wishes to participate in this matter as a party of record should file a Petition to Intervene in accordance with the Commission's Rules of Practice and Procedure on or before February 20, 2018. For the receipt of future Commission correspondence, please include an email address in the Petition to Intervene. *Please refer to Docket No. 2017-370E and mail a*

*copy to all other parties in this docket.* Any person who wishes to testify and present evidence at the hearing should notify, in writing, the Commission; the Office of Regulatory Staff at 1401 Main Street, Suite 900, Columbia, South Carolina 29201; K. Chad Burgess, Director and Deputy General Counsel, SCANA Corporation, 220 Operation Way, Mail Code C222, Cayce, South Carolina 29033, on or **before February 20, 2018. Please refer to Docket No. 2017-370-E.**

**INSTRUCTIONS TO ALL PARTIES OF RECORD (Applicant, Petitioners, and Intervenor only):**

All Parties of Record must prefile testimony with the Commission and with all parties of record. Prefiled Testimony Deadlines: Applicant's **Direct Testimony** Due: **2/20/2018**; Other Parties of Record **Direct Testimony** Due: **3/20/2018**; Applicant's **Rebuttal Testimony** Due: **4/3/2018**; and Other Parties of Record **Surrebuttal Testimony** Due: **4/10/2018**. All Prefiled Testimony Deadlines are subject to the information as posted on [www.psc.sc.gov](http://www.psc.sc.gov) under **Docket No. 2017-370-E**.

For the most recent information regarding this docket, including changes in scheduled dates included in this Notice, please refer to [www.psc.sc.gov](http://www.psc.sc.gov) and **Docket No. 2017-370-E**.

**PLEASE TAKE NOTICE** that any person who wishes to have his or her comments considered as part of the official record of this proceeding **MUST** present such comments in person to the Commission during the hearing.

Persons seeking information about the Commission's procedures should contact the Commission at (803) 896-5100 or visit its website at [www.psc.sc.gov](http://www.psc.sc.gov).

1/16/18